
HOUSE BILL 2292

State of Washington

69th Legislature

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By Representatives Berg, Thai, Zahn, Duerr, and Reeves

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1 AN ACT Relating to taxation of a long-term capital gain of a
2 section 1202 small business stock; amending RCW 82.87.020; and
3 creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 82.87.020 and 2025 c 409 s 4 are each amended to
6 read as follows:

7 The definitions in this section apply throughout this chapter
8 unless the context clearly requires otherwise.

9 (1) "Adjusted capital gain" means federal net long-term capital
10 gain:

11 (a) Plus any amount of long-term capital loss from a sale or
12 exchange that is exempt from the tax imposed in this chapter, to the
13 extent such loss was included in calculating federal net long-term
14 capital gain;

15 (b) Plus any amount of long-term capital loss from a sale or
16 exchange that is not allocated to Washington under RCW 82.87.100, to
17 the extent such loss was included in calculating federal net long-
18 term capital gain;

19 (c) Plus any amount of long-term capital loss carryover that is
20 carried forward from a sale or exchange that is not allocated to

1 Washington under RCW 82.87.100, to the extent such loss was included
2 in calculating federal net long-term capital gain;

3 (d) Plus any amount of long-term capital loss carryover that is
4 carried forward from a sale or exchange that is exempt from the tax
5 imposed in this chapter, to the extent such loss was included in
6 calculating federal net long-term capital gain;

7 (e) Plus any amount of long-term capital loss carryover that is
8 carried forward from a sale or exchange that occurred before January
9 1, 2022, to the extent such loss was included in calculating federal
10 net long-term capital gain;

11 (f) Plus any amount of long-term capital gain or loss from the
12 sale or exchange of a section 1256 contract held for more than one
13 year not included in the calculation of federal net long-term capital
14 gain that would otherwise be included if Title 26 U.S.C. Sec. 1256 of
15 the internal revenue code did not exist;

16 (g) Less any amount of long-term capital gain from a sale or
17 exchange that is not allocated to Washington under RCW 82.87.100, to
18 the extent such gain was included in calculating federal net long-
19 term capital gain; ~~((and))~~

20 (h) Less any amount of long-term capital gain from a sale or
21 exchange that is exempt from the tax imposed in this chapter, to the
22 extent such gain was included in calculating federal net long-term
23 capital gain; and

24 (i) Plus any amount of long-term capital gain from the sale or
25 exchange of an internal revenue code section 1202 qualified small
26 business stock, to the extent such a gain or loss was excluded in
27 calculating federal net long-term capital gain.

28 (2) "Capital asset" has the same meaning as provided by Title 26
29 U.S.C. Sec. 1221 of the internal revenue code and also includes any
30 other property if the sale or exchange of the property results in a
31 gain that is treated as a long-term capital gain under Title 26
32 U.S.C. Sec. 1231 or any other provision of the internal revenue code.

33 (3) "Federal net long-term capital gain" means the net long-term
34 capital gain reportable for federal income tax purposes determined as
35 if Title 26 U.S.C. Secs. 55 through 59, 1256, 1400Z-1, and 1400Z-2 of
36 the internal revenue code did not exist.

37 (4) "Individual" means a natural person.

38 (5) "Intangible personal property" means personal property that
39 is not tangible personal property.

1 (6) "Internal revenue code" means the United States internal
2 revenue code of 1986, as amended, as of July 25, 2021, or such
3 subsequent date as the department may provide by rule consistent with
4 the purpose of this chapter.

5 (7) "Long-term capital asset" means a capital asset that is held
6 for more than one year.

7 (8) "Long-term capital gain" means gain from the sale or exchange
8 of a long-term capital asset.

9 (9) "Long-term capital loss" means a loss from the sale or
10 exchange of a long-term capital asset.

11 (10) "Real estate" means land and fixtures affixed to land. "Real
12 estate" also includes used mobile homes, used park model trailers,
13 used floating homes, and improvements constructed upon leased land.

14 (11)(a) "Resident" means an individual:

15 (i) Who is domiciled in this state during the taxable year,
16 unless the individual (A) maintained no permanent place of abode in
17 this state during the entire taxable year, (B) maintained a permanent
18 place of abode outside of this state during the entire taxable year,
19 and (C) spent in the aggregate not more than 30 days of the taxable
20 year in this state; or

21 (ii) Who is not domiciled in this state during the taxable year,
22 but maintained a place of abode and was physically present in this
23 state for more than 183 days during the taxable year.

24 (b) For purposes of this subsection, "day" means a calendar day
25 or any portion of a calendar day.

26 (c) An individual who is a resident under (a) of this subsection
27 is a resident for that portion of a taxable year in which the
28 individual was domiciled in this state or maintained a place of abode
29 in this state.

30 (12) "Section 1256 contract" has the same meaning as provided by
31 Title 26 U.S.C. Sec. 1256 of the internal revenue code.

32 (13) "Tangible personal property" means personal property that
33 can be seen, weighed, measured, felt, or touched. "Tangible personal
34 property" does not include steam, electricity, or electrical energy.

35 (14) "Taxable year" means the taxpayer's taxable year as
36 determined under the internal revenue code.

37 (15) "Taxpayer" means an individual subject to tax under this
38 chapter.

1 (16) "Washington capital gains" means an individual's adjusted
2 capital gain, as modified in RCW 82.87.060, for each return filed
3 under this chapter.

4 NEW SECTION. **Sec. 2.** This act applies to the capital gains
5 earned on or after January 1, 2026.

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